

Message Text

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PAGE 01 EC BRU 01076 201757Z

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ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 AID-20 CEA-02 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02 SPC-03

STR-08 TRSE-00 LAB-06 SIL-01 OMB-01 AGR-20 SS-20

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TO SECSTATE WASHDC 6481

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

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PASS AGRICULTURE

E.O. 11652: NA

TAGS: EAGR, EEC, OCON

SUBJECT: FEBRUARY 18-19 EC COUNCIL (AGRICULTURE) MEETING

REF: (A) EC BRUSSELS 960; (B) EC BRUSSELS 306;

(C) EC BRUSSELS 783; (D) EC BRUSSELS 3406 OF 6/20/73

1. SUMMARY. THE EC COUNCIL OF MINISTERS (AGRICULTURE) IN THEIR MEETING ON FEBRUARY 18-19, DID NOT REACH AGREEMENT ON 1974/75 CAP SUPPORT PRICES. THE COUNCIL DECIDED TO POSTPONE FURTHER

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PAGE 02 EC BRU 01076 201757Z

PRICE DISCUSSION UNTIL AFTER THE BRITISH AND BELGIAN ELECTIONS. THE NEXT MEETING OF THE COUNCIL (AGRICULTURE) IS SCHEDULED TO

BEGIN MARCH 11, ONE DAY AFTER THE BELGIAN ELECTIONS. THE POSTPONEMENT OF THE TARGET DATE FOR THE 1974/75 CAP PRICE DECISIONS TOOK PLACE AGAINST A BACKGROUND OF WIDESPREAD DEMONSTRATIONS, PARTICULARLY IN FRANCE, WHERE FARMERS DEMANDED PRICE INCREASES FAR IN EXCESS OF THOSE PROPOSED BY THE COMMISSION. TO DEFUSE SOME OF THESE PRESSURES THE COUNCIL AGREED THAT THE 1974/75 SUPPORT PRICES FOR DAIRY PRODUCTS AND CATTLE SHOULD BE RETROACTIVE TO MARCH 4. THE COUNCIL ALSO ADOPTED A REGULATION PROVIDING FOR INCREASED PENETRATION PREMIUMS (EXPORT SUBSIDIES) FOR ITALIAN CITRUS EXPORTED TO OTHER MEMBER STATES. END SUMMARY.

2. THE COUNCIL HAD ORIGINALLY INTENDED TO REACH AGREEMENT ON THE PRICE PACKAGE AT THIS MEETING IN ANTICIPATION OF THE FACT THAT A FURTHER DELAY MIGHT RENDER AGREEMENT MORE DIFFICULT. AN EARLY DECISION OF THE 1974/75 CAP PRICES SEEMED TO BE DESIRABLE AS THE PRESSURE OF FARM GROUPS FOR HIGHER PRICES THAN THOSE PROPOSED CONTINUES TO RISE WITH PROGRESSIVE INFLATION OF FARM COSTS. MOREOVER, THE MINISTERS FEARED THAT A VICTORY OF THE LABOR PARTY IN THE FORTHCOMING BRITISH ELECTIONS COULD PARALYZE THE DECISION- MAKING PROCESS OF THE CAP. HOWEVER, THE POSITIONS OF THE MEMBER STATES ON MOST OF THE ISSUES UNDER CONSIDERATION WERE SO FAR APART THAT THE COUNCIL HAD TO GIVE UP THE ATTEMPT OF REACHING AGREEMENT AT THIS DATE. THE COUNCIL, THEREFORE, DECIDED TO RESUME ITS DELIBERATIONS OF THE 1974/75 CAP PRICES IN A MEETING SCHEDULED FOR MARCH 11-12.

3. THE DECISION TO BREAK OFF FURTHER DISCUSSION ON PRICES UNTIL MARCH WAS TAKEN AGAINST A BACKGROUND OF WIDESPREAD DEMONSTRATIONS BY LIVESTOCK PRODUCERS, PARTICULARLY IN FRANCE, WHO ARE ALARMED BY AN INCREASING COST-PRICE SQUEEZE. IN ORDER TO DAMPEN THE PRESSURES FROM FARM INTERESTS, THE COUNCIL AGREED THAT THE 1974/75 SUPPORT PRICES FOR DAIRY PRODUCTS AND CATTLE, WHEN FIXED, SHOULD BE RETROACTIVE TO MARCH 4. THE IDEA WAS ALSO AIRED TO PERMIT FRANCE AND ITALY TO IMPOSE EMBARGOES ON BEEF IMPORTS FROM THIRD COUNTRIES UNTIL THE NEW BEEF SUPPORT PRICES ARE IN EFFECT. HOWEVER, IT IS NOT CLEAR HOW THE NEW SUPPORT PRICES FOR BEEF AND MILK CAN BE RETROACTIVELY IMPLEMENTED, AND THERE ARE DOUBTS LIMITED OFFICIAL USE LIMITED OFFICIAL USE

PAGE 03 EC BRU 01076 201757Z

ABOUT THE COMPATIBILITY OF NATIONAL BEEF IMPORT EMBARGOES WITH COMMON MARKET PRINCIPLES.

4. AT THIS POINT, IT SEEMS DOUBTFUL WHETHER OR NOT THE COUNCIL WILL BE ABLE TO REACH AGREEMENT ON THE 1974/75 PRICES IN MARCH AND THUS AVOID ANOTHER COMMUNITY CRISIS. HOWEVER, THE SITUATION IS STILL VERY UNCLEAR SINCE HARD BARGAINING ON PRICES HAS NOT YET TAKEN PLACE. THERE ARE CERTAIN FACTORS WHICH POINT TO A VERY DIFFICULT DECISION-MAKING PROCESS. FARM GROUPS HAVE BEEN STEADILY UPPING THEIR DEMANDS FOR INCREASED SUPPORT PRICES OVER THE PAST

SEVERAL WEEKS AND PRESSURE FROM THESE GROUPS CERTAINLY WILL NOT LESSEN. CONVERSELY, DEEP CONCERNS OVER THE POSSIBLE INFLATIONARY IMPACT OF INCREASED SUPPORT PRICES ARE VERY MUCH IN EVIDENCE, PARTICULARLY IN THE U.K. AND GERMANY. AN ADDITIONAL FACTOR THAT COULD DELAY THE DECISION-MAKING IS THE GENERAL MALAISE CURRENTLY PRESENT IN THE COMMUNITY.

5. THE VIEWS EXPRESSED ON THE 1974/75 CAP PRICE PROPOSALS DURING THE FEBRUARY 18-19 MEETING DID NOT DIFFER FROM THOSE EXPRESSED AT THE MEETING A WEEK EARLIER (SEE REF A). THE MOST DIVERGENT VIEWS CENTERED ON THE ORIENTATION PRICE FOR CATTLE, WITH FRANCE, ON ONE EXTREME, PUSHING FOR A 17 PERCENT INCREASE AND THE U.K., ON THE OTHER EXTREME, STATING THAT IT COULD NOT ACCEPT EVEN A 10 PERCENT INCREASE. THE U.K., ITALY AND IRELAND CONTINUED TO OPPOSE THE PROPOSED 6 PERCENT HIKE IN CORN SUPPORT PRICES FAVORED BY FRANCE. ITALY VOCIFEROUSLY OBJECTED TO THE DURUM PRICE PROPOSALS WHICH DO NOT PROVIDE FOR GUARANTEED DEFICIENCY PAYMENTS. ON THE OTHER HAND, MOST OF THE NORTHERN MEMBER STATES WHO ARE DURUM IMPORTERS OBJECT TO THE HIGH TARGET PRICE FOR DURUM.

6. WE UNDERSTAND THAT THE PROPOSED CAP FOR SOYBEANS, WHICH IS BEING VIGOROUSLY PROMOTED BY FRANCE, DID NOT RECEIVE MUCH ATTENTION.

7. THE COUNCIL ADOPTED A REGULATION PROVIDING FOR INCREASED SUBSIDIES FOR ORANGES EXPORTED FROM ITALY TO OTHER MEMBER STATES. IT WILL BE RECALLED THAT THE COUNCIL, IN ITS MEETING ON JUNE 18-20, 1973 (REF D) AGREED IN PRINCIPLE THAT THESE SUBSIDIES SHOULD BE INCREASED. SUBJECT TO CONFIRMATION, WE UNDERSTAND THAT THE NEW SUBSIDIES WILL RANGE FROM 4 U.A. TO 7 U.A. PER 100 KG FOR LIMITED OFFICIAL USE
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PAGE 04 EC BRU 01076 201757Z

ORANGES. ITALIAN MANDARINS WILL ALSO BENEFIT FROM A SUBSIDY. (THIS ACTION COULD POSSIBLY MAKE IT EASIER FOR ITALY TO MAKE CITRUS CONCESSIONS IN THE ARTICLE XXIV:6 NEGOTIATIONS.)
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